अनुदत्त रकमों सें अधिक जितनी रकमें उक्त वर्ष के लिए उन सेवाओं पर व्यय की गई थी उनको चुकाने के लिए भारत की संचित निधि में से धन का विनियोग प्रधिकृत करने का उपबंध करने वाले विधेयक पर जिस रूप में वह लोक सभा द्वारा पारित किया गया हैं, विचार किया जाए।

*The question was put and the motion was adopted.*

THE VICE-CHAIRMAN (SHRI AJIT P. K. JOGI): We shall now take up clause by clause consideration of the Bill.

*Clauses 2, 3 and the Schedule were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

**श्री राम विलास पासवान** : महोदय, मैं प्रस्ताव करता हूं कि विधेयक को लौटाया जाए।

*The question was put and the motion was adopted.*

## THE APPROPRIATION (RAILWAYS) NO. 2 BILL, 1997

**रेल मंत्री ( श्री राम विलास पासवान )** : महोदय मैं प्रस्ताव करता हूं कि,

रेलों के प्रयोजनार्थ वित्तीय वर्ष 1996-97 की सेवाओं के लिए भारत की संचित निधि में से कतिपय औम्र राशियों के संदाय और विनियोग को प्राधिकृत करने वाले विधेयक पर, जिस रूप में वह लोक सभा द्वारा पारित किया गया हैं, विचार किया जाए।

77re *question was put and the motion was adopted.*

THE VICE-CHAIRMAN (SHRI AJIT P. K. JOGI): We shall now. take up clause by clause consideration of the Bill.

*Clauses 2, 3 and the Schedule were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

**श्री राम विलास पासवान** : महोदय मैं प्रस्ताव करता हूं कि विधेयक को लौटाया जाए।

*The question was put and the motion was adopted.*

## THE BUDGET (GENERAL), 1997-98

THE VICE-CHAIRMAN (SHRI AJIT P. K. JOGI): We will not take up the discussion on the General Budget for the year 1997-98. Shri T. N. Chaturvedi, please.

SHRI TRILOKI NATH CHATURVEDI (Uttar Pradesh): Thank you, Mr. Vice-Chairman, Sir, for giving me this opportunity to participate in the debate on the Budget for 1997-98.

SHRI SATISH AGARWAL (Rajasthan): Before Mr. Chaturvedi begins, just one point. I have been raising this question about the audit reports. We are finding the audit reports in the newspapers. An audit report which is to be laid on the Table of the House is appearing in the newspapers. It is good; I compliment the journalist of the 'Times of India' who has published a portion of the audit report which is yet to be laid on the Table of the House. The 'Times of India' says: 'The report has already been submitted to the President, Dr. Shankar Dayal Sharma. It is likely to be placed in Parliament this week'. I would like to know from the hon. Finance Minister. I had raised this issue earlier also, twice. I see the hon. Finance Minister coming and saying something to the Chair. Mr. Vice-Chairman, it is a very important point. We should know the position before we start the discussion on the General Budget. These audit reports have to be placed before Parliament. They have to be made availble to Members of Parliament. They have not been laid, excepting two reports which were laid two days back and which were made available to me yesterday evening because I had raised the issue. But what about the other audit reports which are finding place in the newspapers? The journalist needs to be complimented on his giving us some information on this. I would like to know from the hon. Finance Minister as to why the reports are not being placed on the Table of the House.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Vice-Chairman, Sir, the hon. Member is a very senior Member. He has also been in the Finance Ministry. I have already explained that the reports that have been received have been placed. In a letter dated 14th March, 1997, which was addressed to the Secretary-General, we have said: "This is to inform you that we have not yet received the Finance Accounts and the Appropriation Accounts for the year 1995-96, as well as the Civil Audit Report for the year 1995-96, from the office of the Comptroller and Auditor General*. My statement must be accepted. I cannot be replying to what is m the newspapers. We have not received it yet. When we receive it, we will place it.

THE VICE-CHAIRMAN (SHRI AJIT P. K. JOGI): Shri Chaturvedi, please,

SHRI TRILOKI NATH CHATURVEDI: Mr. Vice-Chairman, Sir, I thank you for giving me this opportunity to participate in the discussion on the Budget for 1997-98.

Sir, there are certain positive features in the Budget which I welcome. The hon. Finance Minister, in his speech, has quoted the great saint-poet, Thiruvalluvar, to say that criticism was always welcome to him. There is another proverb or saying of another great saint-poet, Kabir. Kabir says:

"कबीरा निंदक रखिए, आंगन कुटि छवांय"

'please ask the critic or provide him shelter within your own place'. That is why, when I express some misgivings or reservations, I hope he would consider me also within the ambit of those well-meaning critics, and not otherwise. 'Well-meaning' is a left-handed compliment or otherwise, I am not fully aware. The Budget is a continuation of the earlier Budgets. That, of course, is there. As for the question as to who should take the credit for the economic reforms and taking them further, it is between the Government and one of the supporting parties; it is for them to decide.

One thing is clear. It has been recognised in different ways, by the Finance Minister himself. The Common Minimum Programme is the foundation of his Budget, or, the guiding-star of his Budget. But the difficulty of the people outside, the difficulty of persons like me, is that, so far as the Common Minimum Programme is concerned, the constituents of the Governmnet are pulling in different ideological directions, or, are having their own propositions, their own interpretations. That is the difficulty. Even some of the constituents have said that it is a prorich Budget, that it is an elitist Budget and so on. The real difficulty lies in interpreting the various components or elements of the Common Minimum Programme.

Be that as it may, I will like to mention in the beginning itself one particular fact which, I think, has really handicapped us in understanding, in comprehending, in appreciating the Budget in as much wider perspective as in necessary at this hour in our country. It is not only the question of the audit reports not being made available to us. The Economic Survey has been placed before us. As the Finance Minister has rightly said, there are things of which we can as well be proud and that there are certain other things which are disturbing. But, I think, the things which are disturbing are many more, and the things of which we can be proud are probably more in the realm of speculation.

I may also like to mention here that after having seen the Economic Survey and having heard the Minister's Speech, one is really doubtful if this Budget is really geared to meet and contain the problems mentioned in the Economic Survey. That is one of the basic questions that remains with us, and I may mention something about it subsequently.

At a time when the Ninth Plan is in the offing and when the Approach Paper has

also been circulated to us, the Eleventh Finance Commission is also to be set up, I think, as constitutionally required, some time in June this year. But, it is unfortunate that so far as the Eighth Plan is concerned, on which we have to build or on the basis of which two Budgets have been presented by the hon. Minister, despite requests from many of us, it has never been discussed in the House. Even Mr. Chavan and others also made a request once that at least the Approach Paper be discussed. The entire perspective, the background, why things have happened, something of the experience on which we have to have the future direction ought to be clear to us. It gets all the more compounded, and the difficulties arise because even normally we used to have the Mid-term Review, but, somehow or other when something appeared in the Press, we were told that it- was only an internal paper. Later on, this Government also decided to publish it. Of course, it was placed in the Parliament Library, but it was not made available to us.

All these really create difficulties and doubts in the minds of the normal people whether the Government is really taking us into confidence about the developmental scenario or it has mentioned to us only some aspects considered spectacular and some other aspects which they thought would evoke plaudits and public appreciation.

They have been mentioned and we are not in a position to get the correct picture. As all of us are aware, the Budget has a lot of euphoria and it presents an atmosphere of adulation. We do not know for how long it will last. So far as the stock exchange is concerned, the effervescence that was there is fortunately subsiding. Therefroe, the country, whould probably be saved from another scam and another Joint Parliamentary Committee. The Budget leally is addressed much more to the articulate classes and opinion makers, while teeming millions in the country have been taken for granted. This is the Comment made by one of the commentators, who earlier was a Lok Sabha Member. Sometimes I, along with him, also begin to wonder whether the proposition on which the Budget is based, consists of the fact that since the poor in any case will not get the benefits of all that is being spent, why we should waste all money on them. That is why there is just a talk about 200 mill.ons and the corporate sector. Only a lip homage has been paid to the poor in the Budget. We also see that a lot of credit has been taken for allocations to the social sector, irrigation and agriculture. But, when we go into the realities, we find those things are illusory. The claims are almost mythical. To start with that, I may mention, for example, one of the very important things that came to my notice only recently. Evern the present Chairman of the Human Rights Commission had to complain on such a vital section — the disabled. I quote: "The present financial allocation on disability is only Rs. 47 crores, which comes to less than Rs.lO/- per person per annum. Even the latest Union Budget has not changed the situation in regard to the allocation for the disabled. This needs to be improved a great deal." This shows some kind of a casual attitude towards this entire social sector despite — as I said — the homage being paid to it.

Then there is another strange thing. In the entire Budget speech of the hon. Finance Minister hardly one finds any awareness about the effectiveness and the efficiency of the programmes. It is just taken for granted that if some allocations are here and there will autorn. lically ensure results that are envisaged. Here it is not a question of any ideology, but still I would like to mention that the words like "self-reliance", "performance", "implementation", "performance budgeting", "zero-budgeting", and "steps for the control of the wasteful expenditure" haidly get articulated in a way that they should seep in the public

mind. Despite the fact that I find no concern about the growing unemployment, except saying that Jawahar Rozgar Yojna might create so many man days completely neglecting the experience mentioned in so many evaluation reports of various kinds. Within the Government there are reports of the C.A.G., Public Accounts Committee and even the reports of so many other institutions.

Similarly there has been no thought about regional imbalances. While we were discussing the Railway Budget, many Members referred to the regional imbalances. Every day questions are asked about regional imbalances. Two-thirds of the investment that comes from abrod goes only to two or three States. Is this the vision we have in the Preamble of the Constitution? Is this what really the Common Minimum Programme stands for?

I would also like to mention that there is hardly any concern towards the question of corruption. It has completely undermined the credibility of the entire planning system and the effort. On social sector, I would like to refer to a very good report which the hon. Finance Minister himself must be aware of. The title of the report is "India Development Report", brought out by the Indira Gandhi Institute for Development and Research. I think it is one of the best reports which havecome out. I only want to refer to it in the present context of cooperative federalism, in the present context of liberalisation and globalisation. We have also to define the role of planning. Then, it would have been posible for us -to appreciate the integrated nature of all the budgeting and the planning. I do not want to quote from the report at great length. But I do want to point out to two or three sentences because I think they are very material to the economy of our country and the future which we visualise for ourselves. "What shall be the role of planning?" It briefly goes on to say that ."planning.

should (1) Plan public action in areas-where externalities create natural monopolies where inefficiencies of public action are less than costs of regulation; (2) Plan programmes that result in better distribution of assets including environment." I need not emphasise the word "environment" because there is a controversy between development and environment. "(3) Increase the value of the asset that the poor will have, namely, the labour." The Finance Minister in his speech has also talked about the asset of the poor and the disadvantaged and some of the things which can carry them further. "We must invest in skill formation, provision of social services of health and education in human resource development. We could do much more than what we have done in these areas. In fact, we should target (i) Total literacy in five years; (ii) Compulsory primary and secondary education with 100 per cent attendance ensured in three years; (iii) Provision of primary health care to all to reduce infant mortality 20 per 1000 births in five years. The time horizon shown above was 3 to 5 years, may appear ambitious but they are quite attainable if a genuine effort is put into these directions. These are the most fundamental areas in which India's economic prospects can be transformed for the better in terms of both growth in equity." I think at present the word "equity" is at a discount. So far as the Budget is concerned, an oblique reference has been made to it with a lot of confidence by the Finance Minister and we would know how much of it is justified. There is a slick attraction for this Budget though, as I said, even that effervescence subsided. Why is it so?

Now, there is a proposal to reduce the rate of personal income tax with some increase in standard deduction. The question is, none of us would oppose it. There has been this demand. But can this be reconciled with what we are trying to do for the poor people. So far as rationalisation of personal income tax is

concerned, we ourselves have made a number of suggestions. So, it is not a question of opposing it. The question is: What is the opportune time? How should this be done? Could you not have increased the standard deduction only for the present? It helps us to increase mobilisation of personal savings.

However, as I said, it results in the greatest bonanza for the corporate sector where it proposes to abolish the surcharge on corporate tax and reduces the corporate tax from 45 per cent to 35 per cent and virtually converts into an Advance Tax the Minimum Alternate Tax on zero-tax companies. Despite pressures, the Finance Minister has resisted them. As I said, we have to wait and watch its import.

Now, I do not want to go into the Economic Survey, the Approach to the Plan, the India Development Report or any other report—even the London Economist has brought out a small report about the economic position of India at this particular moment. I need not go into the figures as to the people employed in the large scale industry, the employment that the corporate sector provides, and its contribution to the Gross Domestic Product in Comparatively Limited. Is it not tilted much more towards the corporate sector than towards the common people of this country? Whenever we refer to Gandhiji we also mention about the common people of this country. Nehru talked about the New Image of India when he went to Pratapgarh. Everybody knows it from his Autobiogrphy. Does Budget really cater to the poor? Only the other day, we had a discussion on starvation deaths, deaths of children in Maharashtra, in Vidarbha. Is that the kind of New India that ve are talking of?

As I said, some of these measures about reduction in excise and custom may be welcome. But their cumulative impact on the Union and even the State revenues is in the region of unknown speculative areas. It is likely to cause havoc. How the expected reyenues will really materialise, one does not know. Considering the earlier experience, I am doubtful about this. And reasons have also been given why the expected 'compliance culture' was not there. The Minister has even said in an interview that he is proud of being a tax-payer, etc. etc. If these shibboleths and slogans like 'Mera Bharat Mahan' could solve problems, the problems of this country would have been already solved by now.

Then, Mr. Vice-Chairman, coming to the reduction of import duties, it is expected to galvanize the productive capacity and inject a spirit of competition. That is the rationale. Will it really help the utilisation of the productive capacity in tne context of the recent slide down or recession or whatever wc may call it? Again, after all, it is known that the import cuts have to be accompanied by a very adequate and effective antidumping machinery. We have it in place now. But how effective is it? A number of times, this question of dumping has been raised, through questions and otherwise, in this House.

There is another point I would like to make. It has also been said, "We are bringing it on par with the Asian nations and the Asian Tigers". But then , how do we forget that after all, in many of these 'Asian Tigers', foreigners, collectively, cannot buy more than 50 per cent of the equity of a particular company? Why do you ignore that? It is true, Mr. Vice-Chairman, that moderation of taxes, certainly, can help optimise, to a certain extent, the revenue. But there are two basic difficulties and they have been pointed out by the Finance Minister himself—out of the 900 million people, we have 12 million income-tax-payers; and what is worse, about 12 per cent or so are in the tax-bracket of above Rs. 10 lakhs.

It is good because many Standing Committees and other institutions have said about the widening of the tax net.

But the criteria that he has fixed, out of the four criteria mentioned by him to further the tax net, I have my doubts whether they will really ensure the results that he has envisaged because the talephones may be in the name of the PSUs and the cars may be benarai cars. All these things are bound to happen and the harassment would be caused to some senior citizens when these notices are sent. I am not against it I am all for widening the tax net. But here the question is of strengthening the taxation machinery—a machinery which is really dedicated and honest. That is what is important. The most important aspect on which the Budget is silent, is the anticipated loss of revenue from tax cuts. Article 112 of the Constitution provides for the Annual Financial Statement. But I do hot know whether the kind of figures that have been given conform to| that constitutional requirement, or at least, to the spirit of that stipulation. In[1] the Revenue Account, a reference is only to the interest tax and the service tax, while in respect of others, we do not know where we stand as regards the revenue loss or the anticipated revenue loss.

The Finance Minister has launched a new Voluntary Disclosure Scheme. He has reconciled both ethical and economic arguments in his Budget Speech. But he must be aware of a number of reports made earlier on the subject. 1 would like to refer to the report of the National Institute of Public Finance and Policy. Here I would like to mention that the first four schemes, spanning over a period of 25 years, brought about only Rs. 310 crores. Then again, another scheme was introduced about which the PAC had commented in 1967-68. But much more important that this is the Direct Taxes Enquiry Committee Report or the Wonchoo Committee Report which tried to find out the extent of black money floating around. 1 quote: "We are convinced that any more disclosure schemes would not only fail to achieve the intended purpose of unearthing black money but would have deleterious effects on the level of compliance among the tax paying public and the morale of the administration." The Committee opposed the disclosure of concealed income this way, "either now or in future." Again, about the 1975 scheme, the 123rd Report of 1978-79 made certain observations. I quote: "It is of dubious value of revenue and has a distinctly demoralising effect on the honest tax-payers. It also pointed out that many people availed themselves of both the schemes—the 1965 as well as the 1975 schemes. They were not inhibited in any manner, and probably, were waiting for the next one. Only recently, Prof. Dandavate has said that while originally, the extent of black money was assessed at Rs. 40,000 crores or so in 1982, now it is more than one lakh crores. He has said that the creamy layer must'be ruthlessly and heavily taxed if we have to improve the situation. There are so many items of luxury available and the money collected this way can finance the social sector and the poverty alleviation programmes. I do not know what exactly the position is because there are two other confusing things. I hope the Minister would be able to clarify these points. But the Report of the National Institute of Public Finance and Policy, with which Dr. Chellaiah is also associated, says:

> "To these valid criticisms, we should add tr-~ important point that she voluntary disclosures do not blunt the underlying causes of black income generation. If anything by holding out hopes of repetition in the future such schemes reduce whatever deterrent effect exists in the current provisions of penalty and prosecution."

This is what has happned. We are also aware of what has hapened to the scheme about the India Bearer Bonds which came up before the JPC. What was its result? That is why it was a bit surprising to me when it was mentioned that no less a person than the Chief Minister of an

important State, West Bengal, advocated some such schemes and that also finds a reference in the latest biography of his. But that is not material. There was a news item in the *Economic Times*— probably this is what has provided the material or the hope to the hon. Finance Minister—which says: 'Money likely to pour in from tax havens. Pre-Budget meets spurred VDS, tycoons for hiking stake with funds stashed abroad.' I do not want to go into the meetings. Recently, there was a report in Indian Express. 'Mr. Chidambaram's disclosure scheme to cost Government dear'. I am not interested in the politic of it. There is another news item which talks of the Prime Minister monitoring the financial situation and so on. I am not interested in this either. But what is disturbing is the following. Experts have told the Prime Minister that the premature announcement of VDS will hamper the revenue collection further. This kind of an apprehension has been expressed by many more people. That is why it is a bit surprising because while ignoring all the earlier criticisms, particularly the report of the public Accounts Committee about the Amnesty Scheme of 1985. the Finance Minister again decided to take this kind of a venture.

The other thing which I would like to know from the Finance Minister is this. I would like to know as to how the fiscal measures that he has taken would strengthen the capital market in the country from a long-term point of view and how the stock market would really get strengthened. There are many complaints. Some people have complained that it is the primary market and new issues which have been ignored. There are others who feel that the secondary market has been ignored. What is the exact position? I would like to know how the concessions which he has given would stimulate the economic activity and galvanise the stock market from this particular angle. Mr. Vice Chairman, Sir, the most important tning for us is the question of inflation which *is* the worst enemy of the fixed income group as well as the poor people. Prices have already gone up by 8 per cent. They may even go up further. Of course, there may be a slight decrease in it tor a few days. Increase in issue prices of PDS and the effect of 12% increase in fares and freights with effect form 1st April would push the price level further. Oil Pool Deficit is yet to be adjusted. That is a separate question. The Oil Pool deficit has exceeded Rs. 18,000 crores. Now these inflationary dangers have been underestimated and this is going to affect the exports also.

Another point which I would like to mention is that the Finance Minister has stated that the Government proposes to abolish the system of *ad hoc* treasury bills which is bearing an interest rate of 4.6%. This will be replaced by ways and means advance. The provision for such ways and means advance in the Annual Financial Statement is Rs. 1,000 crores. This also needs clarification. Even if the RBI charges 10% interest on such advances, the interest cost of the Government will go up substantially. The Budget and the other related interests are going to push up the inflation to double-digit level. I don't know whether the ways and means advance to meet the temporary expenditure is, in reality anything different from *ad-hoc* treasury bills. Or, is it a mere change in the nomenclature? So far as the Budget deficit L concerned, it stands abolished. He says, he is proposing to monetise the deficit. In the Revised Estimate of 1996-97 the Budget deficit is Rs. 6,900 crores. In the Budgei Estimate for 1997-98, it is almost double, that is, Rs. 16,000 crores. Thus, <n ihe coming financial year the Finance Minister promises to monetae more than double ihe amount that he did in 1996-97. What will be its effect'

Sir, I 'would like to me .tio.: another point. There is hardly a-?y indication given as to how the Goven.men. is going to tackle the wasteful cx,end'.ure, the

unproductive expenditure which is a hallmark of practically every aspect of Government functioning, it has come out in many reports. How is it going to be tackled? That has not mentioned here. We have read in the Press that there is an Economy Committee with the Revenue Secretary as its Chairman and some experts from outside and inside as its members. What happened to that Committee? What does its report contain? Where is its report? What recommendations has it made? IMF experts are also there. What is it exactly? Is there any kind of long-term planning in this regard?

Mr. Vice-Chairman, Sir, I would like to mention one more thing. I just want to give one simple example. The SPG bill goes up by Rs. 21 crores from Rs. 54 crores to Rs. 75.05 crores. This is just a symptom of the kind of inflationary situation that will get fuelled. I am afarid this name changing ceremony or christening ceremony may not take us out of the woods. As far as the fiscal deficit is concerned, there is one more important conceptual question. The FM has talked about the fiscal dificit. What he has talked about the fiscal deficit is not in accordance with the internationally accepted norms of the IMF which point that the policy targets should include not only the deficit of the Central Government but also of the PSUs and of the State enterprises. Otherwise, this will be a measure which is going to fuel the economy and this may lead to adverse consequences, that is, the tightening of the money market about which the industrialists have been complaining. Even the public sector would be put to the same kind of difficulties. That is why. Mr. Vice-Chairman, articles 292 and 293 of our Constitution talk of capping of loan. So far as the State Governments are concerned, there are certain restrictions in the body of the article itselt. I don't want to read it because all of us are aware of it. My esteemed colleagues, Mr. Satish Agarwal and Dr. Biplab Dasgupta, have been referring to it from time to time. Why don't we discuss it here and enact a law for capping public debt? Why don't we adopt it now? We have discussed the public debt. It is good, if there is a separate discussion on the public debt and on the report where he says that it is a cause for concern, but not for alarm. Interest payment was Rs. 68,000 crores. Last year it was a little less and in the present year also it is a little less. But it doesn't give an alarm bell. In this context, I would like to bring to the notice of this House, through you, Sir, a report of the Union Budget which has been prepared by the *Express Investment Week* and I think it is worth mentioning because there are two or three things involved in this and I quote:

> "This is, perhaps, the first Budget that any Finance Minister presented in independent India that doesn't specify the amounts that should be raised or lost through each new provision that is sought to be introduced. Worse still is that some fiscal ratios that appeared to point to the excellent manner in which Gowda and Chidambaram had managed to steer the economy are those that have been re-computed just a couple of months back and thus the figures of India's gross domestic product (GDP)."

That is how we get a different rate of GDP growth from equally reputable organisations like CMIE. We have always been quoting the statistics of CMIE because the others are not available, it goes on to say—

> "That is how one begins to realise that India's interest payment has reached alarming level of 103% of gross fiscal deficit. This is the first concrete evidence of the fact that India has entered the debt trap. It is no longer on the fringes when such realities are sought to be glossed over. There is cause for discomfort."

The Finance Minister has to take note of this. The underpinning do not support the picture which the Finance Minister hopes to conjure before our eyes. What kind of changes have been done in the CSO recently? They have also not been spelt out. I don't want to go into the statistics. It is only by statistical jugglery that we can always show a better picture.

Mi. Vice-Chairman, I would like to mention something about the neglect of the infrastructure area which is a very important area. Only this morning some questions were raised about infrastructure. The Government has miserably failed in this area. A serious shortfall has been witnessed in the crucial sectors of power and iron, leave aside schools, hospitals and bridges. Neither there are worthwhile proposals nor are there allocations to meet the requirements. I will come to that in a moment. There is also no worthwhile strategy to meet the future situation. The Rakesh Mohan Committee, the Infrastructure Development Committee, iias produced five or six reports which give astronmical figures, if you really want to improve our infrastructure. The report says that "Policies for private sector investment in infrastructure are bogged down in procedural tangles that private investors are scared to make commitment." They always scare away private companies which are being invited. I understand that there are almost 60 clearances to be sought for power projects. Clearances of all sorts have become necessary. If power crisis has to be avoided by the end of the 9th Plan period, power generation capacity has to be increased by 40,000 MW. Mr. Salve can throw much more light on these things. Of this, 30,000 MW power generation capacity will be in the public sector. This calls for an investment of Rs. 1,50,000 crores in five years or about Rs. 30000 crores every year. Against this, the provision is Rs. 7000 crores. What about the rest? What about the fate of infrastructure? What is proposed to be done? All this becomes material to us. In the meantime, there is another difficulty. At the very beginning I stated that there was no thought given to the implementation aspect of things. We always say, "policies are good but the implementation is bad and that is why things go wrong." What about a policy which does not take into account either the inadequacies or the limitations, whether of the people or of the policy or of the system in the changing situation? The Economic Survey reveals that till December, 31, there were 189 on-going projects where the cost overrun was to the extent of Rs. 31,000 crores. With a little bit of foresight and farsight, this could have been avoided. Strangely enough, I have the 1995-96 Annual Report of the Ministry which gives a larger figure. It says Rs. 45,000 crores. I don't know why the Economic Survey toned it down. What kind of project monitoring and project planning is this? What is there to assure us that things will get better in the future? If you peruse the Budget carefully, you will find that the Finance Minister has made ironical statements. He said that he was robbing Paul, the Union, Government, to pay Peter, the States. What we find in effect is that he has robbed one head to pay another, juggled around with figures and passed off fuzzy unreserved things, thus, post-dating our aspirations. That is all that has happened. About the Plan outlay, one finds that the Finance Minister has cut down on Plan expenditure. Is this economy. Rs. 4,000 crores have been earmarked for the 5th Pay Commission recommendations. The Government servants of all categories have been clamouring for it. The report has been delayed. Now he proudly claims that he has managed to keep the fiscal deficit at 5 per cent of the GDP. Is this efficient management? Is this efficient control of public expenditure? Here also it is known that financial advisors in various Ministries were asked to go slow over the Plan expenditure during the last year. It is an open secret. I don't think

that an economy whose plan expenditure is held back could be capable of controlling the fiscal deficit though for the present the IMF may be satisfied.

Let me now deal with the Plan outlays for the year 1997-98 to various core sectors such as petroleum and natural gas, water resources, atomic energy, etc. The outlays for 1997-98 are lower than what they were in the 1996-97 Budget. Even in respect of power and rural development, the Plan outlays are either at the same level or fractionally higher. But in real terms, the outlays in all these sectors are lower than what they were if you take into account the escalation in the prices. With such budgetary alloctions, how can the Finance Minister ever be expected to meet the needs of the vital sectors and satisfy the heartbeats of his own Govemment for the poor people. Take, for example, the outlay for petroleum and natural gas. It was Rs 13,526 crores in 1996-97. The revised estimate was Rs. 11,403 crores. And the Budget estimate for the next year, 1997-98, is put at Rs. 13,286 crores. Down then, let us look at the allocation made for the power sector. The outlay in 1996-97 was Rs. 6,790 crores. Of course, they could not spend this much. Or they should have been asked not to spend the whole amount. The revised estimate was Rs. 5,661 crores. The outlay made in the year 1997-98 is Rs. 6,943 crores. There is a minor increase, fractional increase when compared with the Budget estimate for 1996-97. This is the increase made at a time when the issue of power scarcity took a lot of time of the House. Come to rural development. The provision made last year was Rs. 2,195 croes. Then, it was brought down in the revised estimates to Rs. 1,798 crores. This was the allotment made by the Government which is being led by a humble farmer! This is the kind of rural development this Government wants to achieve. This year, it has been increased. By how much? The same figure, i.e., Rs. 2,195 cores, is restored. Take another example—rural employment and poverty alleviation. The provision made last year was Rs. 6,437 crores. The revised estimate was Rs. 5,977 crores. Then, the Budget estimate for the year 1997-98 is Rs. 6,806 crores. Is this the way for achieving rural development and poverty alleviation? These are the kind of allocations that have been made. Look at the allocation made to water resources. The amount provided was Rs. 1,267 crores. The revised estimate was Rs. 831 crores. The outlay for 1997-98 is Rs. 341 crores only. This is for water resources. Just now they have entered into water treaties. I don't know how they will be able to implement these treaties with this kind of an allocation made by the Government. The allocation for atomic energy last year was Rs. 1,338 crores. It was brought down to Rs. 1,064 crores in the revised estimates. This is less than the original estimate, i.e., Rs. 1,284 cores. What is the total Plan allocation? Earlier it was Rs. 87,086 crores. Now it is Rs. 91,839 crores.

SHRI TRILOKI NATH CHATURVEDI: What a staggering increase to take care of the problems of this country! That is why, Mr. Vice-Chairman, Sir, I wish it had been explained to us as to how the Budget would help in generating that quantum of employment, the Employment opportunities. Or, is this Budget only for pleasing the FDI, NRIs, IBRD and IMF and even the more vocal sectors in our own economy? We find that with this kind of allocations, the vital sectors of our economy are going to suffer more. Here I may mention something about the deficit on Oil Pool Account because there have been a number of questions. I would like to make only a few comments. One of the points relates to the Indian Oil Corporation. The IOC wanted to issue GDRs of $ 350 million. That is held up because of the resource constraint and deficit on the OII Pool Account. With this deficit, the international investor is not expected to pay a good price for IOC shares. So, the prices of petrol, diesel, LPG, natural gas, kerssene, etc. will be

raised. I know everybody expects it after the end ot this session and everybody knows about it. The Finance Minister says that it is an extra-budgetary exercise. But will it be a legitimate exercise after the Budget? The Budget probably aims at convincing only the foreign investor that access to the second largest market is available. For what? For ten billion dollars that we expect from the FDIs.

Mr. Vice-Chairman, Sir, I just want to make a few comments about the Oil Pool Account. Why did they appropriate a sum of Rs. 2,300 crores from the Oil Pool Account to the General Revenues in the 1991 Budget? Then, will the present Government return that amount if it is not a budgetary exercise? Why is the Finance Ministry compelling that the balances in the Oil Pool Account should be kept with the Government and the public account free of interest cost? Why is it necessary if the Budget is not concerned with it? Let the money be kept where the managers of the Pool think that this will bring them adequate returns. Why should it be brought here?

Another question arises when he says that the collection in the oil industry over the years has been of the order of Rs. 25,000 crores. All this money should have been given by the Ministry of Finance for oil exploration and the Oil Inustry Development Board. This question was raised by Shri Satish Agarwal and many of my other colleagues. The Ministry of Finance had given only Rs. 6,500 crores to the Board till 1994-95. How has the Ministry of Finance used this money for meeting budgetary requirements? That is the question. What is going to happen to APM, the Administered Prices Mechanism? The Minister of Petroleum is here. Probably he would like that this might as well be dismantled so that his Ministry somehow gains something. But what effect will this have? What is the policy of the Government in this regard?

Mr. Vice-Chairman, Sir, I just want to refer to poverty alleviation again.

THE VICE-CHAIRMAN (SHRI MD. SALIM): Mr. Chaturvedi, you refer to this. But I just want to point out that your party has been allotted one hour and fifty-two minutes and there are three names more.

SHRI TRILOKI NATH CHATURVEDI: All right. I will just take a few minutes more and conclude. Sir, before going further, I would like to mention that the Finance Minister in his speech has mentioned that he has addressed to all the points of the Common Minimum Programme. But, I think, there are a few points which he has addressed to or has given a completely distorted picture or he has only paid encomiums to the concerns of my leftist friends supporting him. In this regard, the first point I would like to mention is this: "Special plan to develop infrstructure in a hundred backward areas." This problem has not been addressed to. Maybe, indirectly through your rural development infrastructure, but directly it has not been addressed to. This is one of the strategies for direct attack for alleviation of poverty and improvement of rural sector. The second point which is more important is that they will channel money from PSUs' disinvestment to health and education. Has anything been done in this regard? Nothing has been done. The third point is, "Fiscal and other measures to discourage MNCs in low-priority areas." What have they given to us? Ice-cream which is in the small scale sector, there are three or four among other items which have been de-reserved. This is the kind of approach they are adopting.

There is another item which he has not addressed to. I am not against subsidies. So far as agricultural subsidies are concerned, probably, everybody knows that they are not very helpful so far as environment is concerned or so far as cheir flowing to the real beneficiaries is concerned. But, at present, that is not the issue. The Finance Minister in his last Budget had promised to bring out a white

paper to show the impact of subsidies. Then, we could have a more meaningful discussion on that. But, the white paper seems to be nowhere in sight. I have nothing against subsidies if they really reach the well-targeted and help the needy. But, I am afraid, tremendous inefficiencies are allowed in production and delivery of goods and services and they are covered under the garb of subsidies.

As 1 said earlier, I would also like to mention about poverty alleviation programmes. The growth of GDP is important, but it is not a sufficient condition for social development. You know the capability index—for shortage of time I would not like to elaborate it. The UNDP Report which has been brought out now shows as to where we figured now. In fact, we figured low and early in earlier years, but now with the new criteria it has become worse. As I said, this is only the usual Budgetary game of shuffling the figures. There is hardly any thrust in the Budget to provide additional employment or to alleviate poverty. Not only that. We would like to know from the Finance Minister as to what the exact position is with regard to people living below the poverty line when the number of people living the poverty line has gone up and has almost become double. Even if economic growth takes place, it has to be leavened with by health, education and social welfare. But, there is no talk of the delivery system so far as these things are concerned for improving reproductive and child health schemes or family welfare schemes are concerned. It is important as an overriding parameter of population. Has there been any enhancement for it? Rs. 150 crores have been allocated for it. Now, the success of even this Rs. 150 crores depends upon the Public Health Centres (PHCs) which themselves have become sick. We know that it has been talked about in this House quite often as to what really we are going to do in this regard. This is the position about this.

Now, 1 will just make one or two comments about public sector reforms because this subject has been discussed at great length, but the unfortunate thing is even these *navratnas* are going global, the Disinvestment Commission was never consulted.

We have always demanded that disinvestment it should be insulated from politics. The Disinvestment Commission should be made a statutory body so that t can follow a policy which may not create misgivings in the minds of public. We know that the target of Rs. 4,800 crores was not realise last year. I very much doubt whether it is going to be fulfilled. Mr. Vice-Chairman, Sir, I referred to the question of the Finance Commission. Here I only want to point out one or two things. In the first place since the estimates of the Lakhadawala Formula with regard to the population li-'ing below the poverty line will again create demands and clamour from the States, what is the response of the Government to it? The second thing I would like to mention is this. F.M. has said that 77.5% of the voluntary disclosure—I do not know how much it will succeed—will go to the States. I do not think that it is a special favour to the States as such. The Tenth Finance Commission itself recommended that 77.5 per cent of the proceeds of the Income-tax should be assigned to the States. The proposal of the Finance Minister to have an alternative scheme of devolution whereby the States shall get 29 per cent of the net proceeds of the taxes and duties based on their Finance Commissions can only be examined when we are able to know the actual position in this regard. Sir, my submission and question is this. The Eleventh Finance Commission is going to be set up. Now, this Government talks of co-operative federalism and says that it is a Government of and for the States. I would like to know whether Govt, will have representatives of the States on the Eleventh Finance Commission in order to

give the States a real voice to express their grievances and make demands. This is the thing that we find in the House when Ministers are mentioning it in various voices. But, it is not mentioned in the Budget.

Sir, I just want to say something about agriculture because there has been a costly neglect of it. I cannot go into the details of it. Sir, we get 90 per cent of employment through agriculture and small scale industry in the country. In the agricultural sector, the production of foodgrains is stagnating. It has been growing only at the rate of 1.7 per cent whereas the population is growing at the rate of 1.9 per cent. Of course the Finance Minister says that he will import. What is the policy behind it is not for me to go into. If the farmers have the potential to produce 500 million tonnes of foodgiains, then why do we not work out a really broad-based people-centred development path concentrating on the agriculture? Why do we not do it? Agriculture remained static. There are figures by which one can go. But, I would mention one or two things cursorily. What about the crop insurance? What has happened to crop insurance? What are we going to do about it? What has happened to the Krishi Vigyan Kendras which were started with a great fanfare? I do not find any reference to all these things. I would like to know the exact position in this regard. Not only this I find that the Agriculture Minister and even the Approach to the Plan talk about 4.5 per cent annual growth in this country. But, the Agriculture Minister says that it is not possible to attain it with proposed allocation. The stock reply of the Finance Ministry is that allocation is done by the Planning Commission. It is again a shifting of responsibility. The second thing is: if you want to achieve a higher agricultural growth, it is not enough if you just enchance the allocations for soil conservation, animal husbandry, etc. There has also to be a comprehensive strategy, involving several departments. This is the big problem. The question is: who will co-cordinate? Who will work out this strategy? Who is responsible for this?

When I look at the figures in regard to agriculture, I find that the Agriculture Ministry is one of the performing Ministries at present. It is a performing asset of the Government. But I do not know why they have some kind of an allergy lo this performing asset.

There is also confusion about the rate of growth in agriculture. The CSO has given the figure of 3.7 per cent. The Economic Survey puts it at 3 per cent. Again, the Finance Minister, in his speech, says that it is 3.7 per cent. I would like to know as to what exactly is the position.

Similarly, in the case of irrigation and flood control. I would not go into it due to shortage of time. My colleagues would go into it.

Then, as regards the small-scale sector, you have derescrved fourteen items which include products like biscuits, icecream, etc., allowing the multinationals. I think this is doing a great disservice to the small-scale sector, to the growth of the smali-seale sector. This would only increase consumerism and the evils that flow from it, along with social tensions. In this regard, I would like to point out that even the fanner Governor of the Reserve Bank of India, Mr. Venkitarainanan, had asked for a review of the reduction in the import duty. Now, this is very important. It is a significant point for us, in view of the continued lack of easy access to credit, prevalence of high interest rates, the asymmetric delay in the opening up of the markets abroad to Indian manufacturers, and unilateral reduction of tariff, with unrequitted fair play, in a game of uncquals. This is something which we have to keep in mind. Otherwise, just reducing the import duties would lead to many problems for us.

Then, Sir, I would like to make a comment on the defence expenditure.

Much has been said about it. Sir, the Central plan outlay in 1995-96 was Rs. 87,086 crores. Out of this, Rs. 77,518 crores were spent; mostly, the shortfall being in key sectors. As regards defence, the allocation seems to have substantially been raised—from Rs. 29,498 crores to Rs. 35,680 crores. But this is misleading. ! say this because, basically, it is defence revenue expenditure. Actually, a sum of Rs. 65,000 crores is needed every year for modernisation, in view of the security environment in which we find ourselves today. My colleagues would dilate on it. The security situation is getting more ana more grave and serious.

The most pathetic feature of the defence Budget is that there is no long-term plan for dealing with the question of maintenance of the operational capability and for modernisation. There is no longterm plan. We are told and Finance Minister says that he would make available the money when essential for defence . But making available the money, by itself, would not bring the kind of things that you want to have, when you arc in need of it.

Here, Sir, I would like to caution the Government on two things. One is: financial control over the defence expenditure, with a view to making the optimum use of the resources. This is very important and this has to be kept in view.

The second thing is: there should be no mismatch between R&D and its utilisation. A mutuality of confidence between the scientists and the Defence Ministry, the top defence brass, is very much necessary.

There is a third thing. This is also very, very important, as far as the Defence Ministry is concerned. It is that, we should not violate the system. If the system is to be changed, please do changeit. Recently, there was a clarification by the Defence Minister's OSD about some promotion, selection, etc. 1 am not interested in individuals. If the Special Selection Board works in a delayed manner, it should be improved because it is headed by the Chief of Staff. There should be no kind of misunderstanding so far as the work'ng of the Defence Ministry is concerned because it sends very wrong signals.

I will make two more comments, and I am done.

I want «o say, Mr. Vice-Chairman, Sir, thru very often it is said that Ministers want a particular thing to be done but the bureaucrats do not deliver the goods. If the bureaucracy knows the Minister's mind and if there is **a** definite policy, the bureaucracy will be responsible. Why attribute to bureaucrats and public administrators the political impotence of Ministers or the inability of this Parliament to hold the Ministers accountable? I don't have any defence for burcauciats, but they are the instruments, with whom you have to work. If you want the quality and design of implementation to be right, thcii, you should give them positive signals, and ihe performance aspect of administrative working must be taken c?,rc of by the Government as a whole. You may have a limited state, but that limited state must be effective and purposeful. That is wha> the defined role of the bureaucracy is, and it is for you to ensure it.

Similarly, 1 would like to talk about evaluation. I cannot go into the various schemes. We have so many reports etc., and we have discussed in this House about the evaluation and monitoring system of various schemes. The Centrally-sponsored schemes are very vital for the good of the society. However compromised this Budget may be with different ideas and different interests, but if the public good, social good is to be achieved, then, this is necessary. We will find it, of course, when the next budget would be placed. Strangely enough, when budgets were placed during the last few years, I find that always some conference

or the other was arranged and people from outside, whether they are the State Department representatives or they are the IMF representatives, were there. The Managing Director of the IMF has recently laid down the agenda for the next wave of reforms. He has laid down this for us, which all the hon. Members must have seen. That is why, sometimes a question does arise whether this Budget was really meant to achieve the good of the majority of the people, poor, disadvantaged, unprivileged and so on. It has been held as a path-breaking, historic Budget even by a stock-broker, a very notorious stock-broker. For plutocrats it is a miracle and so on. This kind of a situation makes one really think as to what the Budget is about.

The last thing I want to mention is: is this not the reason why even Dr. Chnllaiah the other day in a seminar said that this budget represented a move towards full capitalism? He has been Advisor to the Government. He is not an ideologically prepossessed person and so on and so forth. I think, this also must make us ponder over the optimism and applause. How far really will the promises hold good?

In the end, as I said, I want to mention the question of accountability. The Comptroller and Auditor General of India is the constitutional authority for it. He does not have the authority to hold anybody for contempt. If we find that certain things are said against the particular office in the State or elsewhere, I think, it is the Finance Minister who has to take note of it because it is he who replies on behalf of the Comptroller and Auditor General of India. He does not come to express his view point like the Attorney General here or elsewhere. It was mentioned about an Accountant General and Comptroller and Auditor General that they should be behind bars. I think both the Prime Minister and the Finance Minister should think about this particular aspect. Here I would like to say, because the tenth Finance Commission is going to be set up, it is very necessary to take care of this problem. When Mr. Salve was heading the Finance Commission, I had sent a proposal, when there has been the separation of accounts at the Central level, why not extend it now to the State Level. I had gone to the Prime Minister also, but due to my own personal reasons, I could not follow it up. After all, management of accounts is the responsibility of the spending authority, of the corporate management or of the Government and not ..of the C.A.G. And then wc blame him. The Comptroller and Auditor General has actually sent two proposals to the Government. One was about the extension of his power, not in any other sense, except in categories where there are doubts, they should be brought specifically under the control of the C.A.G, so that there is no wastage. The wasteful expenditure can be brought to the notice of the Government. Secondly, as soon as the reports are submitted to the President or to the Governor, they should be taken as having been presented to the Parliament and State Legislatures. Otherwise they take months and no purpose is served. As a result of this, there is public criticism that there is an attempt to conceal certain facts. This may not be very palatable so far as the Government is concerned. It only further undermines the credibitily of the political system, which already is low at the moment. That is why this matter needs attention. Thank you, Mr. Vice-Chairman, for the time that you have given me to speak.

SHRI N. K. P. SALVE (Maharashtra): Mr. Vice-Chairman, Sir, I am grateful to you for giving me the time to participate in this very important debate....

SHRI SATISH AGARWAL: Is there none from the Government side?

**श्री एन0के0पी0 साल्वे :** कोई ऐतराज तो नहीं हमारे बोलने पर।

**श्री सतीश अग्रवाल** : कोई ऐतराज नहीं हैं। इस समय मैं सिर्फ काफी पीने जा रहा था तो आपके भाषण की वजह से बैठे रहना पड़ गया। पर मैंने सोचा शायद सरकारी पक्ष की तरफ से कोई पहले बोलेगा। पर सपोर्टिंग पाटी- की तरफ से? क्योंकि आप तो बीच में हैं न उधर के हैं, न इधर के न "ही" में हैं, "शी" में, आप तो बीच में हैं।

**श्री एम0के0पी0 साल्वे** : आप सुन तो लीजिए उसके बाद फिर बोलिएगा।

**श्री सतीश अग्रवाल** : सुनेंगे। ताली भी बजाएंगे अच्छी बात बोलेंगे तो।

SHRI N.K.P. SALVE: Sir, Chaturvedi Ji has dwelt exhaustively over the entire Budget. In fact, he has covered almost every facet and the entire gamut of the Budget. His comments have covered a very large area. I will confine myself to the salient features of the Budget, which I 'hink are very important and will restrict myself to such features only.

It is true, Sir, that experts in public finance and economists have expressed very serious and grave apprehensions and reservations on this Budget, on the question of its farsightedness and the ultimate effect of the Budget on the economy and the country as a whole. We have always talked of the philosophy of growth with social justice. Doubts have been expressed about the growth, not so far as the intention is concerned, but about the successful implemention of the intent. As to social justice, there are serous reservations.

However, Sir, I hasten to concede that this Budget has been received with unprecedented warmth. It has been applauded by a wide section of the society. There are areas, of course, in the Budget over which I said economists are expressing very, very grave apprehensions and reservations. They have raised question marks. But by and large it gives relief to the entire comunity of tax-payers which constitute 1.20 crore in a total of 95 crore population. About 1.20 crore people have certainly been given relief. One reason I think why this Budget has been applauded by tax-payers is most of the Budgets have something for somebody or nothing for somebody. So far as tax-payers are concerned, this Budget has something positively for everybody. But there is an India much larger, much bigger than that is constituted by 1.20 crore people. Have we been able to take care of them as much as we could within the cosntraint of resources? As I said earlier, I have little boubt about the intention of the Finance Minister. The question is, more popularity of a budget is not going to solve the problems of the country. A budget is supposed to be like a prescription. If it is liked by the patients, it is of no use. But it should be able to take care of the malaise. Is it going to take care of the malaise of poverty? Is it going to take care of the malaise of unemployment? Is it going to take care of the malaise of inadequate infrastructure? Is it going to take care of the malaise of growing population? I was disappointed when Mr. Chaturvedi did not refer to anything about growing population.

SHRI TRILOKI NATH CHATURVEDI: I made a passing reference.

SHRI N.K.P. SALVE: He has made a pnssing reference. Okay. Mr. Chidamabaram has made no reference whatsoever to matters of population. Are you going to have any policy? I do not know. He may not have any problem within narrower confines, but certainly population in the country is a much, much bigger problem. If we keep on multiplying the population, the way we are doing and show tremendous growth in that industry, then, it is going to be a tragic day for this country, be that as it may.

Mr. Palkhivala, whom I personally consider as one of the greatest authorities on fiscal jurisprudence praised the Budget and paid highest encomiums. Yesterday I was in Mumbui. This is what he is reported to have said, I quote: "The Budget presented by the Finance

Minister, Shri P. Chidamabaram, was the best Budget ever presented in the Indian Parliament." That is the certificate given by Mr. Palkhivala, his views,I concede, I accept with greatest reverence and esteem, lie being one of the greatest living authorities on fiscal jurisprudence. But the questions which have been raised in diffcrtent fora are: Has the Finance Minister tried to do too much in too little a time? Has the Finance Minister bitten mor? than he can chew? Has the Finance Minister acted with immaturity showing unjustified optimism and faith in the private sector, specialy in agriculture? Has the Finance Minister, with massive tax relief, honestly estimated the tax revenues? Has the Finance Minister taken adequate care to ensure that inflation does'nt become double-digit and goes beyond 12 per cent, even beyond 15 per cent? Has the Finance Minister assumed an unrealistic growth rate specially in the light of the serious resource crunch to build a commensurate infrastructure, specially, power? I am unable to understand how we can sustain a growth of 7 per cent which is indeed \cjy credible. In the preceding 3 years, the average growth has been 7 per cent in real terms which is indeed very commendable and in this country if we can have this kind of growth in the next 8 to 9 years, we would achieve that kind of economic revolution, we would achieve that kind of miracle growth which countries next to us who were nothing 15 years ago have achieved. China 15 year ago was nothing. Today, it is one of the largest and most prosperious economies. It is a very strong economy. If you can sustain this growth, it will be extremely welcome so far as India's economy is concerned. But. if there is not going to be adequate infrastructure, what do we do? For the life of me, I have pot been able to understand how we are going to sustain this growth without power. You are having load-shedding every day for eight hours to ten hours. And there is the talk of a seven per cent growth! I will be coming to power sector a little later. This continuous load-shedding is going on. It is a very disconcerting feature. Finally, has the Finance Minister realised that the direct tax administration has become rickety and that a low taxation rate with an inefficient tax administration can spell disaster for collection of revenues? Sir, it is absolutely imperative, if I may mention at this stage—I will be referring to this in greater details later—that there should be infrastructure. Chaturvediji has quoted certain figures for power itself. Against the estimated target of 30,500 megawatts, in four years, we have been able to augment our generation capacity only to an extent of 14,000 megawatts. He talked of five years. We made a perspective planning for 15 years. And for 15 years, you need an augmentation of generation capacity by 100,000 megawatts which will require 100,000 billion dollars. Where are you going to get thai kind of money from? It is impossible for us to raise it in the power sector; it is impossible for the Central Government and at the State Govts, to find this kind of money. Without power, let us forget our growth either in the industrial sector or in the agriculture sector or in any sector whatsoever. From that point of view, have we really been able to create that kind of confidence in the foreign investor today. At this stage itself, with great respect to the treasury benches, and to the Prime Minister and to the Finance Minister and to others, one area 1 must refer to is this. It is a very delicate matter. I hope they will take it in proper light, the criticism will be taken in the light, and in the spirit in which 1 am making it. The foreign investors were making a beeline. 1 happened to be the Power Minister for $3^{1/2}$-4 years. They used to make a beeline in my Ministry wanting to come and invest in this country. They saw one of the largest and biggest economics. cmerging econornies, in this country. They thought that if they came into power sector here, not only would their investment be safe, but they would be able to get returns consistently on their investment in power. But what is

happening today? Where have those foreigners gone? The Finance Minister has been speaking of 'warm responses', that and the other. But I know the fact that the foreign investors are not coming up. One of the reasons is the political instability. It is a very sensitive area. It is a coalition Government of 13 parties, extremely disparate in their ideologies, their thinking. And it makes their credibility and legitimacy suspect. But can they at least not work cohesively and work together put their act together and start implementing the various programmes? The Prime Minister is not the senior-most among equals. The Prime Minister is the leader and he is in the command. He holds the line of command. What he says has to be accepted by everyone. If you are not able to agree with him, the only honourable way is, you quit. That has been the system. But, here, different Ministers are speaking with different voices!

साल्वे साहब, इनका मार्गदर्शन आप करिए न?

SHRI MAHESHWAR SINGH (Himachal Pradesh): You are a supporter.

**श्री एन0के0पी0 साल्वे** : आप मेरी बात सुन लें। मैं इसलिए नहीं कर रहा हूं और उन पर महज टीका-टिप्पणी नहीं करना चाहता। मैं चाहता हूं कि फॉरेन इनवेस्टमेंट आएं और क्रेडेबिलिटी हो जोकि इस मुल्क की तरक्की की दृष्टि से बहुत जरूरी हैं।

From the view-point of finding adequate resources for infrastructure, we have to create this faith and confidence in the foreign investor.

4.00 P.M.

Whatever my fnends on the left may have to say, they have to concende one thing that the Central Government, the State Governments and the public sector undertakings don't have that kind of resources, th;r kind of finances, to be able to take care of the vast infrastructure investment that we need in the country. How are we talking of growth without infrastructure? How are we talking of infrastructure without adequate finances? How are we talking of adequate finances and funds without the foreign participation? It is from that point of view I am saying that they could work a little more cohesively. It will add to their credibility, it will add to their legitimacy. In fact, I must say that the Budget proposals have, to some degree, retrieved the credibility and legitimacy of this Government. That is the tribute I want to pay to the Finance Minister. Whatever criticism I may have to level against him, to some extent, his Budget proposals have done that, whether Chaturvedi Ji likes it or sot.

SHRI TRILOKI NATH CHATURVEDI: He has provided the necessary oxygen.

SHRI N.K.P. SALVE: I hope that oxygen lasts for some more time and improves the condition of the nation as a whole.

Sir, I shall deal with the taxation philosophy and the taxation policy, whether the totality of the Budget proposals conforms to the philosophy of Dr. Manmohan Singh or not. That was the question raised by my friend, Shri Satish Agarwal. Unfortunately, he is not here. He was the right authority to have spoken on that. I think so far as taxation is concerned, I must concede straightway that Mr. Chidambaram has followed the philosophy, the ideology, the goals which have been laid down by Dr. Manmohan Singh. Undoubtedly, I have with me, a copy of what has been said by Dr. Manmohan Singh, year after year, in his Budget proposals, from 1991-92 to 1994-95. I can quote paras after paras which conform to what Mr. Chidambaram is saying in his own Budget speech, so far as taxation is concerned. For constraint of time, I will not go into

the totality of it. But this was what Dr. Manmohan Singh had said in 1992-93, and I quote:—

> "To realise our development potential, we have to unshackle the human spirit of creativity, idealism, adventure and enterprise that our people possess in an abudant measure. We have to harness all our latent resources for a second industrial revolution and a second agricultural revolution. Our economy, polity and society have to be extraordinarily resilient and alert if we have to take full advantage of the opportunities and to minimise the risks associated with the increasing globalisation of economic processes, we have to accept the need for restructuring and reform, if we are to avoid an increasing marginalisation of India in the evolving world economy."

I have no doubt that what has been stated by the Finance Minister, and in fact, I thought that the 'Common Minimum Programme' itself contemplated it, it gave national legitimacy to the economic reforms, to liberalisation, to globalisation of the economy, and towards that direction, whatever efforts are being made to unshackle the stranglehold on the economy in a system in which we depended far too much, on licences, quotas and permits, to that extent, this Budget, whatever proposals it contains, those proposals are commendable, they are commensurate with our policy, they are a carry-forward of our policy.

Coming to taxation itself, may I refer to what Dr. Manmohan Singh had said in his Budget speech...

This is what Dr. Manmohan singh said on page 1349. He said:

> "There is a consensus among fiscal experts based on experience, gained all over the world that moderately progressive tax structure combined with strong enforcement is the best way of encouraging honesty and voluntary tax compliance. The Chellaiah Committee has endorsed this view and has recommended that our direct tax system could be more effective if the income tax regime had lower rates of taxation with a narrow spreadover between the entry rate and the maximum marginal rate and maximum and minimum of tax incentives.:

This is what Dr. Manmohan Singh said. In para 86 of the Budget speech Mr. Chidambaram says:

> "I believe that a good tax policy should aim at moderate rates, a wider tax base, simpler procedural rules and securing greater compliance."

Para 90 makes the position absolutely clear. He says:

> "It is now widely accepted that moderate rates of taxation encourage savings, foster growth and motivate voluntary compliance. I have received wise cousel from many hon. Members. I have, therefore, decided to lower the rates of personal income tax across-the-board in a significant manner."

If Dr. Chellaiah were to say that the budget has bartered away with a stroke towards capitalism, so far as the taxation proposals are concerned, we will have to thank him for it because his recommendations were accepted by Dr. Manmohan Singh and the present Finance Minister continued with the same in paragraphs after paragraphs, but because of constraint of time I will not go through them. I have no doubt whatsoever, on a very thorough study of these budget proposals and the budget proposals of Mr. Chidambaram so far as they relate to taxation, he certainly carried forward the very philosophy, the very ideolgies; he kept the very goals in front of him which were there before Dr. Manmohan Singh. As I said earlier,

nighest commendation to him for making efforts to unshackle some very extremely pernicious strangleholds of Government regulations from the clutches of the stranglehold which had really impeded, which had really put a check on the genius, the enterprise and the initiative of the individuals. Therefore, for the taxation policy which has been followed, which has manifested itself in this Budget, I compliment. There was a time when we were paying 97.75 per cent income-tax. Many people have talked of tax morality. Mr. Chaturvedi was unhappy with voluntary disclosures. It is true that voluntary disclosures just put a premium on those who have evaded tax. But morality in taxation is a two-way traffic. Is it that the Government can go on levying any amount of tax that they want, collect revenue from the people and fritter it away and waste the money on unproductive expenses? What is the morality behind the Government levying a tax of 97.75 per cent? Mr. Chaturvedi is. aware of it. There was 97.75 per cent tax on income above Rs. 1 lakh. If you earned Rs. 1 lakh, you could save only Rs. 2,225. Would it not be better for a man, would it not be natural for a human being to earn Rs. 5 under the table that earn Rs. 1 lakh on the table. Why should he burn the midnight oil? Why should he work day in and day out? It is only those people who earn money the hard way would realise what it takes to earn money. Let them have it. Certainly the State must have their own share. Trying to bring socialism *via* direct taxation has been, the biggest fraud committed on people. How much of socialism were we able to bring in by taxing to the extent of 97.75 per cent? What was the morality behind such tax rate? What was the justification for that kind of taxation? However reprehensibile the voluntary disclosure scheme may be on the ground of morality, an irrational rate of taxation is even more reprehensible. That is what I feel. In fact, I subscribe to the philosophy that a low rate of taxation ensures minimum evasion and maximum compliance. It also ensures buoyance. A high rate of growth in income and a low rate of taxation only can ensure this. From that point of view, the personal rate of taxation which has been brought down by Mr. Chidambaram is indeed a very bold measure. He has brought down taxes from 15 per cent to 10 per cent on incomes between Rs. 40,000 to 60,000. It is 20 per cent on incomes from Rs. 60,000 to Rs. 1,50,000 and 30 per cent on incomes above Rs. 1,50,000.Ido not think any further reduction in personal taxation would ever be called for by anyone hereafter. The only doubt is whether it has been given a little too early or a little too soon. At any rate, if the revenue can be as buoyant as expected in the Budget, and if the estimates are correct, then I think, the Finance Minister is creditably justified in doing this. But with the kind of tax administration that he has under his control, God alone may help him. This is a very serious apprehension which has been expressed by experts on public finance that so much of reduction is being given straightaway on taxes. They feel that is is really a little too optimistic. But we wish him luck. We do hope that he improves his tax administration and bring about tax refonns so that he is able to collect this kind of money. I also welcome the provision regarding exemption of tax on dividends. If a partnership is taxed, then the share of profits in the hands of partner is not taxed. This law was made somewhere in 1990 or 1991. After that law was made, what was the justification in taxing dividends when the profit which is distributed is already taxed? The totality of the profits in the hands of a company are taxed. Is it not double taxation, especially after you have changed the entire pattern? Earlier, tax used to be levied on registered firms. The firm was taxed very nominally. But profits in the hands of individual partners were taxed. Now they are not taxed. I really welcome this ...*(Interruptions)*...

SHRI TRILOKI NATH CHATUR-VEDI: The beneift should also go to the' UTI units.

SHRI N.K.P. SALVE: I think it is being extended to the UTI also.

SHRI TRILOKI NATH CHATUR-VEDI: No, it is not being extended. We should request them to do so.

SHRI N.K.P. SALVE: Mr. Minister, I think I read it in the newspapers that you were extending it to the UTT units also. Anyway, when he replies he can keep in mind the suggestion made by Shri Chaturvedi through me. We accept what is good from them. I hope this will come about. The philosphy is correct. I have been talking of this philosophy from the day I came to Parliament 30 years ago. In those days I was practising in taxation and I was called a lawyer of the rich. I was called an agent of the rich. The crucial factor is whether or not those countries which have achieved that miracle growth followed this consistently. Have they not brought down the rates of taxation which are really rational? Even among the Asian Countries, among the devloping countries, our tax rates were still one of ;he highest. Now, of course, we are going towards that direction and it is the correct direction. From that point of view, I want to quote one great authority.

> 'The Union Budget should not be an annual scourge but should partake more of the nature of the presentation of annual accounts of a patnership between the Government and the people..."

I want to mention and I have no doubt whatsoever in my mind that the only panacea for unemployment, for poverty and for all the difficulties we are facing in our country is inadequate growth. The reason for all these problems is attributable to inadequate growth. Deng, who achieved a miracle growth in China, has said that development is the only real truth. I have an article. It is written by a seniour Minister of Singapore. Writing about deng, he says and I quote:

> "...Deng not only fought to destroy the old China but more importantly built a new China, using free enterprise and free market with Chinese characteristics..."

He destroyed the old China and built the new China. Some of us in this House are still talking about the philosphy of the old China. Deng made a mockery of Marxism, Leninism, Stalinism and Maoism by giving this kind of an impetus, by building the new China with free enterprise and free market. Indians are given this opportunity to show their genus, to show their initiative, to show their enterprise and to show that they are second to none in the world. Yet we are lagging behind. Therefore, I want to quote this great author further. I am not mentioning his name because that will create some controversy. He says and I quote:

> "The Annual Budget should not be a scourge, but should partake more of the nature of the presentation of annual accounts of a partnership between the Government and the people..."

The Budget has to be a partnership account between the two. He further says and I quote:

> "...Every Budget contains a cartload of figures in black and white. But the stark figures represent the myriad likes and shades of Indian life; the contrasting tones of poverty and wealth and of bread so dear and flesh and blood so cheap, the deep sense of adventure and enterprise and man's ageless struggle for brighter morn..."

This will only come if we free the people, our people, from the shackless of regulation, from the shackles of Government intervention at every point and in every area. There is one more thing I want to point out. As one who

has dealt with taxation for so many years, I want to say that the Finance Minister has very skilfully neutralised, virtually neutrailised, the exemption of tax on dividends so far as the revenue effect is concerned because he is going to tax the distributed profits at 10 per cent. If you are going to do that, it is all right. I am happy that at least it will simplify the entire procedure. I used to realise this. For ten years, I represented in Lok Sabha an area which is primarily an Adivasi area. Some of the agriculturists in that area in Madhya Pradesh were very rich, in fact indecently rich. I asked them: Why are you not investing in the companies? Why are you not investing in the corporate sector? Why are you not putting your money to more productive purposes? They would frankly tell me, इंकम टैक्स वालों का झंझट कौन अपने सिर पर लेगा। If this is the apprehension, if this is the impression which our tax fellows have created, and there is every justification for that kind of impression. I would not call it a misimpression. Then, this is-one thing. At least I hope from the rural areas more money will come and we will be able to harness it because now if you purchase shares and receive dividends you need not go filing your return, unless you get into one of these new criteria that have been laid down — where somebody is a car owner or a telephone owner or things like that. Of course, it is a good idea. In fact, I want to tell you,, Mr. Finance Minister of State, that' instead of going round-about, why don't you make it mandatory that for purchase of certain kinds of durables, one has got to give one's Permanent Account Number (PAN)? If you provide that in the law itself, that one cannot buy a car or a refrigerator or a four-wheeler or a scooter or the latest cell-phones unless one gives one's PAN, it will ensure compliance and they will file their returns. It is not as though they are bound to be taxed. If they don't have income, they will not pay tax. But they work so differently, one is really amazed at the manner in which the Income Tax Department works. If I may narrate my personal experience, my son happens to be a Supreme Court lawyer. He is assessed at Nagpur, place of our residence. Right from his childhood he has been assessed there. They assssed him and fortunately he was the highest tax payer. They rewarded him for being the pride of India, the highest tax payer amongst individuals in Vidarbha region. When I went there may daughter collected a plaque as memento. I brought it here and gave it to him. He comes home the next day and says, "How is it that yesterday I received this memento and today I have received this notice from the Income Tax Officer"? I said, "What is it?" The notice was, "You have purchased two cell-phones. Kindly show cause why should you not be taxed in respect of the same"? The right hand does not know what the left hand is doing. There is no coordination. It is not a modern tax system at all. I will come to search and siezure a little later. How do you expact buoyancy in the revenues with low rate of taxation, if this is the efficiency of the tax department?

At long last, he has diluted MAT. Sir, I argued so vehemently with him last year. I pleaded and implored of him that this very section had been there in the statute earlier, in earlier days, and in two years' time it had to be withdrawn. This sort of a section is an interloper. You have all the exemptions, deductions given in one part of the statue, one part of the law, and you want to negative it straightway by another provision, inserting section 115, denying full exemption which is given by the Parliament itself and if they are not being changed by the Parliament, there is inconsistency in their denial through MAT. It makes the whole law unsystematic. It makes it erratic. Last year I suggested that you withdraw the exemptions. It doesn't matter, if you withdraw the exemptions. Nobody would have anything to say. But you give an exemption on the one hand, you exempt

export profit which was a very big factor in the growth that came about. From 24 per cent growth of export, it has come down drastically this year. It was bound to happen, thanks to MAT. The laws of economic are ruthless. They don't go by one's likes, dislikes, predilections. They are causal, cause and effect. Going down of exports was also attributable to MAT. He has diluted it now. He has not taken it away fully. At least, export profits are fully exempted. And he has provided another scheme, that payment by MAT would be an advance payment for future years for which you have not earned income yet. That is, to my mind, not very rational. I can justify it only on one ground, that having given so much relief in taxation, if he wants to esnure some more monies would be coming into the exchequer by way of advance tax, well, let him collect that. I object to such taxation on priniciple. But if he thinks that that is one way of augmenting his resources, I would not have a serious objection to it. There is another provision that he has made. And that is the amendment to section 37. The business income has to be taxed, which is really and truly your business income. Where is the warrant to disallow advertisement expenses, if they are legitimate business expenses on advertisement or on travelling or on entertainment? Modern concept of entertainment in business is a very widely accepted concept. Genuinely and honestly incurred expenses were being disallowed. They have to incur this expenditure. Where do they get funds for such expenditure from? That is where I was talking about the morality of taxation. Don't you force people to become dishonest? You force people to become dishonest and then say that they are tax-evaders and they must be dealt with stringently. Firstly, make sure that you are not responsible for forcing people to take to a course of tax-evasion, to a course of non-compliance, to a course of dishonsty, and if you don't do that, then one can expect — I do expect now — after this kind of reasonable taxation, I think the evasion should come down to the barest minimum. From that point of view, amendment to section 37 is indeed very welcome.

Sir, I have talked about voluntary disclosure scheme cursorily, but there is one aspect of the matter which has to be understood properly. With this kind of relief given in taxation, I think, voluntary disclosure scheme is absolutely necessary and prudent. Prudence demands that there should be voluntary disclousre scheme, and what is welcome is, Sir, kickbacks and bribery and an offence under the Anti-Corruption Law are not going to be condoned, only tax-evasion and FERA. FERA itself is sheer anachronism today. It is a law which hardly needs to embellish our society these days and the sooner we get rid of it, the better it wilt be. We need a proper management of our foreign exchange, we don't need further regulation with the kind of foreign exchange reserves that we have. And therefor, only from FERA and Income-tax, there is immunity under Voluntary Disclosure Scheme and taxation is at the maximum marginal rate of taxation. About 77 per cent credit is being given to States—I want to point out to Shri Chaturvediji—that the Voluntary Disclosure Scheme is open even to corporate sector, and even that money, I understand, 77 per cent, would be given to States. To that extent, it is a largesse. You were right, talking about States, you were absolutely right when you were talking about fiscal deficit. What meaning has a fiscal deficit, if you are not going to take into account fiscal deficit of the States? The way the States have managed, and are managing their financial affairs, I really don't know what will happen one day to this country? I have seen—working in the Finance Commission—that the States are on the verge of collapse, as it were, and the devolutions from the Centre to the States are never used for the purpose that they are meant for. They go haywire in the whole matter. So far as power is

concerned—speaking of the States—the State Electricity Boards are extremely guilty of what they are doing. The State Electrcity Boards are really perennially in losses for two reasons. One reason is that the Government dictates to them to give concessional rates of Tariff to certain sectors and the Govts, don't make good the value of the concession. How can a company run, if it is not going to be reimbursed for the concession that it has given for its products and they are naturally in a very bad shape?

Sir, the plant load factor of the State Electricity Boards is extremely low and, I suggest to the Finafice Minister, kindly think of bringing in an amendment that in the States if there are plants running whose plant load factor is below 40 per cent, transfer them to NTPC—don't sell them to private sector—transfer them to NTPC at book-value with a rider that NTPC sell that power to the States only. The NTPC took over the Unchahar where the PLF, Sir, was 30 per cent. After NTPC took it, it invested a measly amount of Rs. 20 crores, and the plant load factor is 72 per cent. What a tremendous productivity! What a tremendous beneficial use!

SHRI GURUDAS DAS GUPTA (West Bengal): Who was the Minister at that time? ...*(Interruptions)*...

SHRI N.K.P. SALVE: Never mind the Minister. ...*(Interruptions)*... Mr. Dasgupta, never mind the Minister. Even if he were a Minister and something good had been done by him, I would have warmly applauded him. ...*(Interruptions)*..

SHRI TRILOKI NATH CHATURVEDI: It is a great help to you. ...*(Interruptions)*...

SHRI N.K.P. SALVE: It is a great help to U.P. Is it not? ...*(Interruptions)*... What I suggest is, take my suggestions. very seriously. I think, the entire House will agree that the States Electricity Boards are not able to cope and they are running so inefficiently. Please transfer such low efficiency plants at book value to the NTPC; adjust the value of the plant against the dues you owe to NTPC. The NTPC has to recover about Rs. 5,000 crores to Rs. 7,000 crores from State Electricity Boards. That is one reason that the private sector is not coming forward to invest in power sector. They say, where is the guarantee that the private plant owners will be paid for power that they will supply? The Government of Iadia does not want to give counter guarantee because this House was very angry on us for giving counter guarantee to some projects. All right if you do not want to give the counter guarantee of the Government of India you may not, but are you not under a compulsion to ensure that some sort of a guarantee is given by which a foreign investor would be assured that power that he supplies is the power which he would be paid for? The State Governments give guarantee. Now, the State Governments themselves do not honour their guarantee. That is what is happening. That is the malaise of the power sector. That is the real problem of the power sector and we should do something in a big way. Sir, the Economic Survey paints a very alarming picture of power sector. It has stated that our capacity today is 83,288 MW and we had for the Eighth Five Year Plan contemplated an additional electricity generation capacity of 30,858 MW. We have been able to achieve only 14,799 MW. The NTPC is one public sector undertaking which is investing the maximum. But how much can it invest? Power Sector is a very expensive industry; a very highly capital intensive industry. If a 1,000 MW is going to cost about Rs. 4,000 crores, and we need one lakh or one lakh fifty thousand megawatt additional generation capacity to cope with the increasing demand. If there is growth in economy, one must expect that there is going to be a higher demand of power. We must augment generation capacity, without streamline transmission and distribution? Sir, only

one more point I have to make and that is more for Chaturvediji and his party than for anyone else. ...*(Interruptions)*... Sir, the proposed hike in electricity rates in Delhi—Satishji, it is for you. That the NTPC is supplying power—to DESU and the average tariff rates are with me which I have got offically—at Rs. 1.38 per unit. ... *(Interruptions)*...

SHRI SATISH AGARWAL: Why are

you creating a remote like situation? ... *(Interruptions)*...

SHRI N.K.P. SALVE: Because, Sir, I will have to pay a much higher amount for electrcity bill. ...*(Interruptions)*... I do not get it free any longer. ... *(Interruptions)*...

SHRI SATISH AGARWAL: You can increase your limit. ...*(Interruptions)*...

SHRI N.K.P. SALVE: I do not want private negotiation ...*(Interruptions)*...

Sir, if it was an efficiently managed system, the tariff not be incresed. The transmission and distribution losses of DESU are 40 per cent. When I said this abroad one, they started laughing that the Minister was trying to play a fool with them. I said that it was a reality. They said, "Mr. Minister, you are complaining of an extremely unhealthy state of affair, how do you expect a company which sells 100 per cent of its production and bills for only 55 or 60 per cent and recovers only about 80 per cent out of the amount billed?" So, what you need to remedy it is, keep politics at an arm's length, see that power transmission and distribution losses are not more than five to six per cent. If that be so, the power which DESU is buying at Rs. 1.38 per unit can easily be supplied at the maximum rate of Rs. 1.75 per unit. The present rate is below 100 units Re. 1/-, between 200 and 400, it is Rs. 2.50. Now, we are subsidising an honest consumer of power for the dishonest thievery of those who take this power by theft. I will tell you one more thing. Your Government in Delhi realises this, but it is unable to do anything because it is scared of the employees. The employees do not want the distribution to be privatised. Now, there are 20 sub-stations supplying power. Give it to four or five best people who give you the offer. Give them an incentive of, say, five or ten per cent. You tell them to collect the money, take five or ten per cent, and give the balance to you. You would see the amount of revenue you would get. You do not have to raise any tariff whatsoever. You get such cheap tariff from the NTPC, from the BTPS. We are not doing that. Sir, the biggest opponent to privatisation of power distribution in Delhi is not the Communist Party of India. It is not the Marxist Party. The biggest opponent was a trade union—I am shamed to say this—led by a Congress leader. As I said, you pay my money. You pay my money. You pay the NTPC. You pay the BTPS. We will not talk of privatisation. This itself would ensure that there is no increase in tariff. If the money is paid, it would ensure that you are getting in full for what you are selling. On the other hand, if you are allowing leakage of such a magnitude—40 per cent transmission and distribution losses—and you want to recover it from honest people like me and Satishji, we have no option. But this is very unfair, very unjust. This aspect of the matter needs to be looked into.

There is only one point more and I am done. It is about the provision regarding search and seizure.

SHRI SATISH AGARWAL: What is that?

SHRI N.K.P. SALVE: Search and seizure.

SHRI SATISH AGARWAL: I thought you are talking about shares. Baalu is waiting. He would plead his case.

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI T.R. BAALU): The transmission loss is less than 40 per cent. It is 20—22 per cent. Not very alarming.

SHRI SATISH AGARWAL: You wait. He would come to oil after this.

SHRI T.R. BAALU: The transmission loss is only 20—22 per cent? not 40 per cent.

SHRI N.K.P. SALVE: Now, about search and seizure. The power given under section 132 of the Income-tax Act to carry out search and seizure is not very wide. I chaired the Joint Committee which enacted the Wanchoo Bill. It was called the Black Money Bill. We had to be very careful while formulating this section, i.e. section 132—the power to carry out search and seizure. This was struck down on the ground of Constitutional validity by the Assam High Court. We had to circumvent that and ensure that we did not blatantly outrage the privacy of people. It is making inroads into the privacy of individuals. Therefore, there are two things, either one of which should be there. Either on information available to you, or, there is reason to believe. Not reason to suspect. These are two entirely different concepts in law. You should have reason to believe. You should have reason to believe that the premises which you want to raid and search has in it some assets, concealed assets—cash, jewellery, bullion, etc. Or, there is some evidence of tax evasion. Only then you can carry out search and seizure. But look at the manner in which search and seizure is carried out these days. An authorisation is given, a blanket authorisation is given, by the Commissioner., There is no bigger fraud on tax laws of this country enacted by Parliament than this, where authorisation is the basis for one to go and search the house of any private individual in this country. This authorisation should be based on either one of these two factors. Either one of these factors must exist—information available to you, or, there is reason to believe—before you can carry out search and seizure. One cannot give a blanket, outright, authorisation, as is being given.

I would make a suggestion here. When you are making so many changes, please also make this one change. The Supreme Court has said that even if a search is an illegal search, whatever has been found there, whatever material has been found there, can always be relied upon. You carry out search ruthlessly, indiscriminately, disregarding the restrictions which the Parliament has imposed on you making inroads into the privacy of some individual taxpayer. If it is illegal, it is all right. You get .the information, in any case. Therefore, Sir, what I would suggest is: this authorisation should be given by a judicial authority; by a sessions judge; not anybody below that level. Do have the power of search. Do have the power of seizure. But the material or the basis or the evidence on which you want to go on search and seizure, must conform to what has been prescribed by Parliament. You must have reason to believe that there are concealed assets or there must be evidence available to you to find out anything. Without that, you will not do so. Even if there is no evidence, you give authorisation to settle your own account! There is the famous decision in the *Lata Ram Gupta* Case in the Delhi High Court. He had received compensation for vast agricultural properties worth Rs. 30 crores or so. He deposited that in a bank and disclosed it to the Department. The Department said, "This is taxable" He said, "According to me, it is not taxable because the ownership of land is in dispute." They said, "You pay tax." He said, "I will not pay tax." It was purely a legal dispute. They could have made an assessment and taxed him, but they knew that the appeal would be struck down. So, to terrorise him, they carried out search of his place. They did not allow the children to go to school. The Delhi High Court came out with a scathing indictment of the entire procedure adopted. It said, "Whatever else it may be, no one has given you the power and authority to arrest. How can you arrest somebody under the Income Tax Law?"

Therefore, Sir, I hope that this will be taken care of.

Sir, definitely, this is the last point, and this relates to Mr. Baalu. Mr. Chidambaram is a skilled lawyer. We talk about what is going to be the effect of the rise in the prices of petroleum and petroleum products on inflation. This time it went up by 1.5 per cent, and there is no further margin unless we are agreeable to going to double digits. Inflation hits those whom it hurts most, the people below the poverty-line. You have brought in the dual card system, so much so good. I wish Dr. Manmohan Singh had done that several years ago. I am happy that people living below the poverty-line can buy their necessities at half the price, very good. But, with the same stroke, if you are going to fuel inflation and raise prices of other commodities, of what use will this be?

My allegation against you, Mr. Baalu, is that the entire price system lacks transparency. It is easy to say that the prices abroad have increased and that, therefore, we are increasing the prices here. It is easy to say that there is so much deficit. Satishji has shown here that Rs. 29,000 crores were collected by way of cess. It was supposed to finance capital expenditure. I did not get the balance sheet for 1996-97 as yet. The last was for the year 1995-96. The reserve fund of the ONGC is over Rs. 35,000 crores. That money has been well spent in building capital assets. That of the IOC is over Rs. 7,000 crores. You are foisting the liability on the current consumers of petroleum and petroleum products. If you want to invest in capital assets, why don't you borrow? I suggest, therefore, that it is not enough for the Finance Minister to say that the Petroleum Minister will deal with the hike in petroleum prices. It is passing the buck which is unfair.

You deal with inflation and tell this to us. Why don't you come out positively and tell us that there will not repeat "not", be any increase in the prices of petroleum products unless the prices of imported petroleum increase so drastically that you will not be able to meet them despite a higher collection of cess, a higher collection of import duty and a higher collection of excise. You are trading in this commodity as a monopolist. It has a very deleterious and very pernicious effect on the economic system, on the economy and on the inflation. Therefore, I suggest, whatever be the Oil Pool Deficit Account, make an announcement and write it off from the reserves of these two companies, the ONGC and the I.O.C. I want you to answer this. You have vast reserve funds. The debit balance in the Oil Pool Account can easily be written off and taken care of. Let the Finance Minister honestly tell this to us. Let him not just shift, pass on the buck to you. Let him not say, "well, the Oil Pool Account does not figure in the Budget." I know that. How will it figure? You are devouring all the cess, you are devouring all the excise, you are devouring all the import duties indiscriminately and you are charging from the consumer plus a higher price for the fluctuation in the currency and for the higher prices of petroleum products. The crude prices have now come down. Are you willing to reduce? For the last one month the prices of petroleum products have come down. You will never think of reducing them. We do not ask you for that. All that we say is, please have some transparency in the entire oil pricing system and make sure that you do not trade as a monopolist. Please jettison once for all the cess business, so that we are not compelled to raise this issue again and again and you carry on merrily without answering the same. What answer has been given to Satish Ji? What have you done with Rs. 29,000 crores of cess which was collected to finance the capital assets.

Chaturvedi Ji pointed out that you provided Rs. 4,000 crores for payments on the basis of the Pay Commission's recommendations. You have not spent a

penny out of it and then you say that you have been able to keep the deficit to 5 per cent of G.D.F. It only shows that the system under which you work is far from satisfactory. So far you have accumulated vast profits in the oil companies. They have built up large reserves. You utilise that for capital assets. Make a policy statement that hereafter, if you need money for investing capital assets, you will do it as other commercial organisations do, viz. you will have 10 per cent to 20 per cent of your money and the balance of it will come from loans. Sir, I hope all these things will be taken care of. For God's sake save us from inflation. For God's sake, ensure that the growth is not improperly affected. I do hope with all the relief that has been given by the Finance Minister, he does not have to come to this House again very shortly with another set of Appropriation Bills. Thank you.

SHRI ASHOK MITRA (West Bengal): Sir, I was supposed to speak on behalf of my Party, but, at the same time I have been told since I belong to a relatively small party, I must close my mouth as soon as I open it. So, I am at your mercy. I hope that I will be given the minimum time so that I can develop what I have to say. In any case, it is not in my tradition over the past four years to speak in excess.

Sir, I feel very sorry for the Finance Minister. He started his speach with a standard homage to the Common Minimum Programme. Before Independence we had a very learned political leader in our country and it was said that each statement that he made was amenable to nine major interpretations and twentytwo minor ones. The Common Minimum Programme is a bit like that. Mr. Chidambaram interprets it in his own manner and we have other priorities, which we draw from the Common Minimum Programme. I am sorry to say what he thinks are the major features of the Common Minimum Programme, are _ actually not ours. He thinks the Common I Minimum Programme enjoins him to pursue the reforms, which were started by the previous regime of 1991—96. We think the Common Minimum Programme wants us to shift the priorities of the Government expenditure for planning and development, for the amelioration of the conditions of the poor, for the spread of education, health and nutrition services. This is the basic difference in approach. And yet I said I feel sorry for the Finance Minister, because even from his point of view, the Budget is going to prove a major disappointment to him. It already has. You see it is a nine-day euphoria over the Budget. It did not last even for one week. The bulls have disappreared. The stock markets have been re-captured by the bears. So, there is a dull sentiment.

Second, the foreign investors, in whom the Finance Minister instinctively placed such a great trust, have also responded through the standard statement: they say: "India's rating even after the Budget will continue to be very poor. India is not investment—worthy from the point of view of the Western investors."

So, the two major pillars on whom the Finance Minister depended are sending negative beams. They are coming from private investors. There is one very significant thing which most of us have missed out. On the eve of the Budget, the two major industrial chambers in the country----- the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce ------ came out with separate statements and both implored the Finance Minister to please add to public investment. Let the Budget contribute to the public investment. This is what they have said. The Finance Minister asked the private investors to invest. Private investors begged of the Government, please expand the role of development expenditure in the Budget. Why did they say so? They have gone through a certain roster of experience. They know that in .our country over the

last 40 odd years, private investment has always been sparked off by public investment. Public investment doesn't drive out private investment. Public investment draws in private investment. This has been the experience in our country. We want to move away. The Finance Minister wants to move away from this experience. Therefore, he has created all this bonanza. I don't have to go through this bonanza. This kind of bonanza which is offered to the private sector and foreigners has been unheard of. Why is it so? Because he has a particular economic ideology, he has a particular picture as to how the Indian economy should grow over time. I have great respect for him as an individual. Certainly he is entitled to hold to that kind of an economic theory but there is a flaw in that. What is the theory? You may remember that one of his admirers has said that for the first time the Finance Minister has presented a capitalist Budget. Unfortunately, it is not a capitalist Budget. It would not advance the cause of capitalism. Why do I say so? Now, you take capitalism of the early 19th century, late 18th century capitalism in Western Europe. How did it develop? It developed on the basis of capital. At the source of capitalism is, capital savings. Where did this capital come from? One source of capital was, of course, the imperial loot. They had their empires and colonies from which they got a certain quantum of resources. But the major part of the resources came from the savings of their citizens. You know this early capitalism coincided with frugality in society, that you have to save. It was their religious obligation to save and not to flaunt their income. The Catholic tradition was to show themselves off. No. They just crossed over to the Protestant regime, closed in, became frugal and saved. This was early capitalism. On the basis of saving, they developed. Then they, supplemented it with their imperial loot. Now, what do we have? What is the model Mr. Chidambaram has? He said that he is already lowering all taxes and creating all these incentives to the citizenry of India. By the citizenry of India he means the 40 million people at the top. Out of 940 milion people, he means 40 odd million people at the top who are really the core of the capitalist ethos, rather 900 million people do not really matter. They are poor people. They were poor during the Vedic days. They were poor during the Kushan period. They were poor during the Maurya period. They were poor during the Gupta period. They were poor during the Lodi period. They were poor during the Mughal period. They were poor during the British period. In the post-independence period we had the poor people. They would always remain with us. Now, this is the assumption on the basis of which economic theories were written. But the problem is, Mr. Finance Minister says, "Yes, I am giving all this extra money so that they may either spend this money or save." If they save, it will lead to additional capital formation; if they spend, it will tesd to more purchase of consumer goods and the rate of industrial production moves up. It is the milieu that matters. In this milieu that you have created, whatever additional money you put in the pockets of the 40 million, they will immediately spend. I remember the speech of the Finance Minister exhorting the countrymen to spend and spend and spend until they drop dead. And they will spend because in this milieu, nobody believes in saving. So, the Indians will not save. Most of the savings, or exclusively the whole lot of saving, will have to be done by the foreigners. And the foreigners say that they are not, at the moment, interested in coming to India. This morning, in this very House, the Industry Minister read off certain statistics on how much foreign direct investment has come into the country. It is six billion dollars over five and a half years of six years; that is, an average of one billion dollars a year. It is chicken-feed as far as our own requirements go. On that basis, ou cannot go very far.

The foreigners have already told us that they are not interested in India. This is the dilemma that we are facing. And what is the point of deluding ourselves as the Economic Survey does that we are doing wonderfully well? We are not doing woaderfully well compared to the 1980s. Over the past five years, the rate of growth is lower; the rate of growth in agricultural production is lower; the rate of growth in industrial output is lower; the rate of employment growth is lower; the rate of inflation is higher; and the rate of capital formation, both in agriculture and industry, is less. And you talk about a 6.8 per cent rate of growth in the year 1995-96, 1996-97! Again, just eonsider this. You take the two basic sectors of the economy-agriculture and industry. Agriculture is growing by about three per cent. The information that we have suggests that in the year 1996-97, the industrial growth is unlikely to exceed five per cent. If agriculture grows at the rate of three per cent and industry grows at the rate of five per cent, how do you get 6.8 per cent or seven per cent rate of growth is all? This is where we should not delude ourselves. What are they doing? They are showing a very high rate, of growth in the services sector. In the services sector, you follow a very peculiar system of national income accounting. What do you do? An Indian Institute of Management graduate is currently drawing, let us say, Rs. 10,000/- per month. Now that the foreigners have come, they offer him Rs. 100,000/- That is, a thousand per cent increase in his income. And that is added to our national income. And then you take the average. This 1000 per cent increase is in the income of this young, bright and rich graduate from the Indian Institute of Management. What a fat lot of good would it do to change the character of the Indian economy, to ameliorate the conditions of poverty in our country? So, let us not cheat ourselves by saying, "All right, we will jack up the rate of growth in the services sector and then we can show to the world that there is a 6-7 per cent growth". Those people who are going to spend money over here are hard-headed. I will come back to this issue later on. For the present, let us have a look at what the Finance Minister has done in his determination to create additional incentives both for the upper middle class and the supposedly investing class in the country. I am sorry I have to disagree with my most distinguished student Shri Chaturvedi when he suggests that if you lower the rate of taxation, that will lead to a more than proportionate increase in the income.

5.00 P.M.

Now, we have data from various countries. There is a dubious theory associated with the name of an American professor. We cannot buy those theories. What does this theory say? This theory says that if you lower the rate of taxation, there will be a more than proportionate increase in income. Forget about foreign countries. Even within our own country, I will quote two historical facts. Number one is from the 1970's. Now, Dr. Manmohan Singh, who was the former Finance Minister, was the Deputy Chairman of the Planning commission. He wrote the Chapter on Financing of Resources and then he was very much against any lowering of the rate of taxation at that stage. He worked out a very neat table. I invite each of you to go back and consult the Sixth five Year Plan and yon will come to know how lowering of taxes had proved disastrous to overall tax revenue in the 1970's. Even for 1990's, from 1991-92 till 1995-96, you can work out a chart about each lowering of taxes year by year. My friend had gone on lowering taxes and this year, Mr. Chidambaram has really done a coup over him. But you will find that the overall rate of growth of revenue has not gone up but has gone done. Now, this is a hard reality. How do you propose to cope with it? Then again Mr. Chidambaram does not have to worry because he has his own manner of coping with the problem. He has his

commitment to the reforms and what do the reforms say? The reforms say that the fiscal deficit must not exceed five per cent. All right. It is very easy for Mr. Chidambaram to do so. He just slashed 10,000 crores of rupees. 10,000 crores of rupees are one per cent of our Gross Domestic Product. He slashed 10,000 crores of rupees from the Plan allocations and said that he has been able to honour the commitment that he made to the gentleman from Washington. But what have we done to growth? What about your commitment to your own people? There is a lot of talk within the Budget Speech about what is being done for the poor, what is being done for education, social sector and so on. You will find that all this mishmash together does not mean much. They did not mean much last year and they are unlikely to mean anything even in the current year. You will find that in real terms, if you take into account the rate of inflation, you will find that very little is being spent in the name of developmental expenditure. Foreigners are not coming. The private sector is not at all confident that it will be able to make growth on its own. Yet you are determined to sabotage. As Government, you are determined to sabotage your own property, the public sector. Your rate of growth is affected because you are not having enough savings and investments. You have invested close to 2,00,000 crores of rupees in the public sector units. Maybe, they are not the prize examples of efficiency. I am not going to debate that point. Maybe, not all of them, can face external competition. But for the present, you have so much investment. Why don't you try to get something out of those investments? You can get a bit of production out of them, a bit of employment out of them, by simply offering them some extra credit or some assistance. But you will not do that. But you have gone to the length of even denying the employees of the public sector units the minimum contractual payments. This is a criminal offence. But this Government, because it is so prejudiced against the public sector, has not even minded indulging in criminal activities. This is a very serious matter. What can you do? The Government is doing it. The Government is committing it. You say, "All right, for some." You say, "All right, I pick and choose seven or eight or nine which are relatively good. We will offer some extra sums to develop them." In this year's Budget there is something to meet this, a little footnote has been added. Even then we are confused because out of the six or seven names that have been mentioned, one or two are holding companies which have sick units that have been referred to the BIFR. That we all know. What kind of lessons are we going to derive from this Budget? The whole philosophy is to sell off, to disinvest the good profitable public sector undertakings. For whose sake? Mr. Murasoli Maran described our public sector units as crown jewels. In no sane society crown jewels are sold off.

He said, "All right, we will refer them to the Disinvestment Commission".

SHRI SATISH AGARWAL: It seems to be a distress sale.

SHRI ASHOK MITRA: This does not add up to anything. It is a substitute; you see, You have to add up. He did not have money. Therefore, he said "sell". Personal items you sell off, the jewels you sell off, and then get some extra money. This is on the assumption that foreigners will come and the foreigners will bail you out. Now I will not say much about it. It is a matter of somebody's personal belief whether the foreigners will come or not. I will not really say that. Mr. Finance Minister, you have gone on record quoting Mr. Deng, the Chinese Leader, who passed away last month. But he tends to forget that before Deng there was Mao. What happened in China? They went through a certain process of intense self-discipline, education. Have you done anything about education? Immediately after the revolution they just concentrated all their efforts on education and health services.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): In the Chair. Time-bound programmes had been set and heads would roll if certain targets were not achieved. But it did it. In our country for over four decades our rulers have talked and talked and have not done anything about education and health services because they are scared of the poor people. If the poor people get educated they will start asserting their rights and that is not very healthy for..... *(Interrutpions)*... I am driving Mr. Salve out.

SHRI SATISH AGARWAL: You have already driven him out.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Dr. Mitra, your party has limited time only. You please wind up.

SHRI ASHOK MITRA: I have said that I won't speak much. *I* have one dig which I will say for Mr. Balu and I have done.

SHRI SATISH AGARWAL: It is the last dig.

SHRI ASHOK MITRA: After all, you have to educate your people, make them instrumentalities of productivity and all that. This is what the Chinese did. The Chinese now have 1.2 billion citizens who arc active participants in the market. They had gone through the process of economic development and they come to the market and demand goods. You know this is a contrast. We run after foreign investors. In the case of China, the foreign investors run after them. That is because they have an overall market of 1,200 million people whereas our whole market is 30 million or 40 million people. This is really the crucial dilemma of Indian economic development. In the meanwhile we think by offering more and more concessions to the foreigners we will somehow be able to inveigle them to come to India. For exmple, what has been done in the oil sector and in the power sector is utterly shameful. This is like the Buddha's enlightenment. Our Finance Minister, for five years, alter he quit office, says, that it was a gross mistake not to have invested more in the public sector for energy development. Now what are we doing? I wish the present Government took the cue from the previous Finance Minister and not blindly followed the model that was set up because we know what has happened in the past five years. We started with a shortage of 30,000 MW. We continue with this shortage. This morning somebody was reading out the reasons for our failure in achieving the targets in the power sector which very conveniently shifted the blame on to the State Electricity Boards; they are dreadfully functioning and, therefore, we have this deficiency. Now have you at all bothered to sit with them together and tell them that as to how you can raise the level of efficiency? Have you talked to them? Then suddenly you bring an Ordinance and a Bill which will chop off the neck of the State Electricity Boards. There are other ways of trying to develop your own resources. It is very pathetic that foreign advisors come and they have their standard rote: "The private sector is bad, the State Electricity Boards are bad. Kill them." This is the kind of thing. You blindly work out. I wish the Ministers would not be so scared of the civil servants. *(Interruptions).*

SHRI T. R. BAALU: PLF is below 50 per cent. So far as Bihar is concerned, it is 15 per cent. How will the State Electricity Boards run?

SHRI ASHOK MITRA: In my State the plant load factor has been 20 to 25 per cent for the last five years. What we have done in West Bangal, you can easily do else where provided you want to do it. But if you initially say, "No, I will set my face away and I will depend upon the foreigners", this is precisely what the foreigners would not do for you because they have other considerations. This is also what I have to say about what you were thinking of doing in other infrastructure areas. This is our country

and you may try to sell out the country by inviting foreigners. But you will find here at the grass-roots level the people will resist which is why this is where I end. I will make three simple propositions to the Government. I am sorry that the Finance Minister is not here. Number one, I want to tell him, "Please do not insist on pushing the Insurance Authority Bill either in this House or in the Lok Sabha. You will not have a parliamentary majority." I can say this with a full sense of responsibility. I will say the same thing about the kind of things that you have in mind about the power sector and the oil sector. It is extraordinary. In the oil sector what have you done in the past five years? Thirteen developed oilfields developed by the Oil and Natural Gas Commission and the Indian Oil Corporation, you handed over to the private sector and foreign investors. You also handed over 30 other development blocks to the private sector and the foreign sector. What is the result? There is a negative rate of growth. The more you have invited the private and foreign sectors, the higher is the fall in the production. AH kinds of things are said. I do not want to go into these very unsavoury things including sach statements that if there is a decline in the rate of production, very good, we can buy crude petroleum at the spot-rr.arkct in the Gulf area. That would mean that somebody's commission would get inflated. These are the things which we cannot take lightly because facts have been revealed over the years. So, I would not want to say any thing more. I would only appeal to the Finance Minister. It is no use running after the will—o'—the—wisp. The foreigner won't come. We have to develop on our own on the basis of our own strength and with the help of our own resources. There is no escape. We can always strive to have an alternative model of dependent capitalism. India is too big a country and the burden of such a big country, no foreigner will be in a position to bear. Thank you.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): There is a message from Lok Sabha. The Secretary-General will read it out.

## MESSAGE FROM THE LOK SABHA

## THE INCOME-TAX (AMENDMENT) BILL, 1997

SECRETARY-GENERAL: Sir, I have to report to the House the following message received from the Lok Sabha signed by the Secretary-General of the
Lok Sabha:

> "In accordance with the provisions of rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose the Income-tax (Amendment) Bill, 1997, as passed by the Lok Sabha at its sitting held on the 15th March, 1997.
>
> The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

Sir, I lay a copy of the Bill on the Table.

## THE BUDGET (GENERAL), 1997-98—Contd.

**श्री ओ0 पी0 कोहली** (दिल्ली ) **:** आदरणीय उपसभाध्यक्ष महोदय, वित्त मंत्री ने जो बजट पेश किया था उसकी प्रशंसा और वाह-वाह का दौर अब थम गया हैं और अब उस बजट को बहुत नजदीक से देखने पर उस बजट के नकारात्मक पहलू उभरकर आ रहे हैं तथा यह बात ध्यान में आ गयी हैं। कि इस बजट के प्रशंसक कौन हैं। इस बजट के प्रशंसक समाज के सम्पन्न और ऊपर के वर्ग के लोग हैं। समाज का अपर क्लास इस बजट का प्रशंसक हैं यह बजट अमीरों का बजट हैं, उद्योगपतियों का बजट हैं, शहरी सम्पन्न वर्गो का बजट हैं। विदेशी निवेशकों का बजट हैं। इस बजट में आम आदमी कहीं केन्द्र में नहीं हैं।

वित्त मंत्री ने कहा है कि मेरे इस बजट का आधार कामन मिनिमम प्रोग्राम है और कामन मिनिमम प्रोग्राम गरीब आदमी की दुहाई देता हैं। लेकिन वह गरीब आदमी इस सारे बजट में से गायब हैं। दावा किया गया